



TOWARD A NATIONAL POLICY FOR AMERICA'S PORTS

**Remarks of
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I am delighted to have this opportunity to speak at this 93rd Annual Conference of the American Association of Port Authorities. On behalf of President Bush and Secretary Mineta, I would like to thank you for the important work you do to keep our global economy moving. Port authorities across this country, and in fact across the hemisphere, play a central role in driving the global economy, and I know all of you take great pride in what you do. You should; it is well deserved.

Transportation in a Global Economy

We live in a world that is changing rapidly, and growing more interconnected by the day. Rapidly changing patterns in global logistics, light-speed advances in information technology, double-digit annual trade growth, and transformational changes in countries like China are all factors in this sea change. Because of these trends, our economy relies more and more each day on seamless connections between all modes of transportation. Port facilities, and the domestic transportation networks that serve them, are critical elements in the system. Those of us in government -- and particularly those of us with responsibility for national transportation policy -- must be more cognizant of your requirements and more creative in our approaches to the need for more capacity in our system. President Bush probably said it best in a recent statement. "To compete in the global economy of the 21st century," he said, "the United States needs a maritime policy tailored to 21st century needs."

The truth is that the U.S. economy has been transformed in recent years -- from a domestically driven economy to one driven by global trade. In 1970, overseas trade accounted for only 13 percent of U.S. gross domestic product. Today, overseas trade accounts for nearly 30 percent of our GDP, and that percentage is expected to continue to escalate in the years ahead. These increased trade ties to other nations provide a tremendous opportunity to build new relationships, develop more efficient business models, and use transportation networks to connect our world as we never have before.

The dramatic growth in international trade has created new demands on our ports and on our national transportation system. Each year the U.S. transportation system alone carries more than 15 billion tons of freight, valued at over \$9 trillion. Even the most conservative forecasts suggest that overall freight volume will grow by another 60 percent by 2020. Recent headlines of course, particularly here in southern California, confirm that we are already feeling the real impact of this surge in trade. We regularly see stories about rail capacity shortages, terminal gate back-ups, congested access roads, and the impacts of the new security measures put in place at ports all across the globe.

You need to go no further than the nearby Ports of Long Beach and Los Angeles, which together make up the largest port complex in the U.S., accounting for approximately 40 percent of the container traffic that moves to and from the United States. Because of that volume, what happens here not only affects the citizens of southern California but ultimately touches the lives of citizens all across the country. As most of you know, in recent months this port complex has experienced an unprecedented surge in container traffic, one that appears to be not just an early arrival of the traditional peak season but a permanent new plateau that is stretching capacity to its very limits. We have seen a nearly 15 percent increase in year-over-year traffic, fueled most importantly by increased imports from Asia. Unfortunately, this surge has doubled the average time it takes to move containerships through this port complex, and led to very challenging conditions both within the port complex and on the region's land side rail and highway links.

The Department of Transportation in Washington, of course, has a responsibility to work with those involved in moving goods through our major ports. We need to address these challenges more aggressively, while taking into account the needs of all stakeholders. During a visit to Long Beach a few weeks ago, I met with public and private stakeholders from the region to discuss the congestion they have been experiencing over the past few months and the challenges they expect to face in the years ahead. I was extremely impressed by what I heard. Despite the serious difficulties that all parties have had to deal with over the last few months, there was no rancor or finger-pointing. Instead, there was a unanimous desire to forge a consensus on a comprehensive set of solutions to the region's transportation problems. We at DOT are going to do all we can to assist them in that endeavor.

In order to tackle these challenges, both here in southern California and elsewhere throughout this hemisphere, we must treat our ports, railroads, and highways as an integrated system and develop solutions in a much more comprehensive way. Working

together, we can keep goods moving efficiently and safely throughout an integrated intermodal system.

Aggressive Pursuit of Trade Liberalization

Before outlining some of the Administration's ideas for how we might do that, it is important to understand the context that drives the need for more robust transportation infrastructure and services. Global trade liberalization has been a major goal of President Bush and this Administration. Over the last three years, our U.S. Trade Representative has negotiated a dozen new free trade agreements, opening markets for a wide range of American exporters that will produce significant economic benefits all across the country.

Early in the Administration, agreements were reached with countries like Jordan, Chile, and Singapore. More recently, we have added deals with a number of countries in this hemisphere as well. Just this past May, a Central American Free Trade Agreement, or CAFTA, was signed between the United States and El Salvador, Guatemala, Honduras, Nicaragua and Costa Rica, with the Dominican Republic added shortly thereafter. Together, these countries represent the United States' second largest trading partner in Latin America, second only to Mexico. As Ambassador Zoellick said during the signing of this agreement, "The signing of CAFTA opens a new chapter in the history of our relationship with Central America," one that will be more firmly grounded in mutual support for free markets and democracy. I want to thank AAPA, who strongly supported this important agreement as a member of the Business Coalition for U.S.-Central America Trade. Building on that success, the U.S. has also launched negotiations with several countries in the Andean region, and we continue to pursue the creation of a Free Trade Area of the Americas that would open markets throughout the hemisphere.

The Administration has put tremendous effort into the pursuit of global trade initiatives as well. For example, despite the challenges associated with getting the more than 100 members of the World Trade Organization together, Ambassador Zoellick and his counterparts around the world were recently able to set the so-called Doha Round of talks back on track.

But we all know that no good deed goes unpunished. Our aggressive trade agenda will bring enormous economic benefits to consumers and economies both here and abroad. But it poses a critical issue of national policy: Are we going to have the transportation infrastructure in place to handle the increased flow of commerce that these agreements are bringing about? Embedded in that simple question, of course, are some daunting fiscal and environmental and technological challenges. There can be no question but that America has arrived at a pivotal moment with respect to the capacity of its transportation system. It is fair to predict that future generations will judge ours by our response to these challenges. That is why the Department of Transportation has been devoting so much time to crafting new ideas about providing the infrastructure to serve these needs and where our resources can most effectively be brought to bear.

Addressing these challenges in an effective way will require stakeholders and government agencies in each mode to cooperate in new ways and to develop new tools. Secretary Mineta has insisted that we examine the issue not as one confined to any given port complex itself, but rather one that cuts across our entire freight system. These are the principles that have guided us in working to develop federal programs that can help meet our port capacity needs.

Surface Program Reauthorization

Later this week, we will mark the one-year anniversary of the expiration of the Transportation Equity Act for the 21st Century – or TEA-21 – which provides funding and authorization for the array of federal highway, highway safety and transit programs. Let me be clear – the Bush Administration remains strongly committed to passage of a six-year bill *this year*. Anything less will severely limit the ability of our state and local community partners to plan and coordinate their transportation investments. For that reason, we encourage Congress to complete its deliberations quickly and to pass a six-year bill that the President can sign.

The Administration's proposal to Congress for reauthorizing these essential programs -- the Safe Accountable Flexible and Efficient Transportation Equity Act – or SAFETEA – calls for investing \$256 billion over the next six years. It would take a fiscally responsible approach while providing for the largest investment in history in our nation's surface transportation infrastructure – funding these programs at 21 percent over the levels available under TEA-21 – itself a record-breaker back in 1998. It would do all of that without resorting to a fuel tax hike or taking general fund money. Put quite simply, this is the road we need to follow.

There are several good reasons why everyone in this room should care deeply about what happens in the context of our surface program reauthorization. We have included a number of program changes that would have beneficial impacts on the members of AAPA. For example, we are advocating a split of the Federal Highway Administration's existing Corridors and Borders Program in order to ensure proper focus on planning and to provide dedicated funds to critical border infrastructure projects. SAFETEA also would place new focus on the intermodal connections between our roads, ports, railways, and airports by targeting investment in the critical "last-mile" road connections from the National Highway System to often-overlooked intermodal freight facilities.

We have proposed new financing tools to support our infrastructure investments, including one innovation that would extend private activity bonds to highway and freight transfer facilities in a way that would encourage much more private investment in highway infrastructure. We would make TEA-21's successful innovative financing program – TIFIA – more accessible to smaller freight projects by reducing the minimum eligible project cost from \$100 million to \$50 million and expanding TIFIA eligibility to include privately owned intermodal freight projects. Finally, we call for each state to appoint a Freight Coordinator to help ensure that freight projects are given proper consideration in local and regional planning processes. Realizing the benefits of these

proposals can only come with final congressional action, so we will continue to work with members of Congress and all affected stakeholders to secure passage of a six-year surface transportation reauthorization act.

Freight Action Agenda

In the meantime, rather than waiting for Congress to act, we have worked to make sure that we leave no stone unturned. For much of the past year, our Office of Intermodalism has coordinated an effort to take a comprehensive look at all our modal administrations' work in the area of freight and goods movement and to develop integrated solutions wherever possible, especially those that could be done within the framework of our existing authority.

The result of this work is what we call our Freight Action Agenda, which incorporates many of the recommendations that stakeholders have previously shared with us, including the suggestion that we work hard to identify and support nationally significant freight projects at our major transportation gateways. To tackle such projects, the Department is creating Intermodal Project Facilitation Teams to ensure sustained focus on large, complex projects of this kind while providing cross-modal expertise and coordination.

One example is the work we have done on the Chicago Regional Environmental and Transportation Efficiency – or CREATE – program. Working closely with state and city officials in Illinois, members of Congress, the major railroads, and other stakeholders, we are providing important technical assistance, especially in terms of coordinating the numerous environmental reviews that must be undertaken for different elements of the program and identifying all available sources of federal funding across our current highway, rail and transit programs. More importantly, however, is that we are acting as key coordinators and facilitators – an increasingly important role in the context of large, public-private, multimodal, multijurisdictional, capital-intensive projects. Our job has been to help drive the development and implementation of creative solutions to a complex, intermodal problem, which is something we are increasingly well equipped to do. Successful implementation of CREATE will help alleviate a significant obstacle to the efficient movement of freight across this country. As every intermodal port director knows, delays in Chicago's crosstown rail movements often translate into inefficiencies that ripple throughout our intermodal transportation system, and as a result adversely affect port operations across the country.

Other items in our Freight Action Agenda include freight-focused performance measures for our national transportation system, supported by ongoing cooperation with national and international partners to improve the quality of our freight data. We are also developing seminars and programs that will provide training to public sector professionals so they better understand why freight is so important to the future success of our transportation system. Finally, we are taking advantage of new technologies in a whole host of areas, for example by supporting the development of positive train control technologies to ensure safer, more efficient rail shipments throughout the country. We

will continue our work in improving coordination among our modes on freight issues, and appreciate the support that our stakeholders across the modes have provided thus far.

“SEA-21”

While much of the focus in recent months has been on the surface reauthorization debate, in reality this is only one piece of a larger puzzle. Secretary Mineta has long emphasized the importance of the maritime sector to our national intermodal transportation system and recognized a need to strengthen DOT’s core capabilities in this area. From the day he arrived, the Secretary has challenged his team to think creatively about how we can better integrate the maritime component of our transportation infrastructure into the system in a much more comprehensive way.

While the need to respond to the 9/11 attacks and the reauthorization of our aviation and surface programs necessarily delayed active work on this program, it is now well underway. The “SEA-21” review that Secretary Mineta launched earlier this year began with a comprehensive assessment of how we could improve the way our maritime transportation system can move commercial goods more effectively. A number of outside groups, including the Marine Transportation System National Advisory Committee, the U.S. Commission on Ocean Policy, and the National Academies’ Marine Board, have all called for such a review and for DOT to take the lead in pursuing a more robust maritime policy. Some of the SAFETEA provisions I mentioned earlier, of course, would help to jump start this process and facilitate much improved landside links to our Nation’s major ports and inland waterways.

As it is currently envisioned, at least within our Department, a SEA-21 package would help pave the way for a far more competitive and efficient maritime sector and improve connections between the various modes. As Secretary Mineta noted in a speech earlier this year, SEA-21 will emphasize leadership and coordination within the Department of Transportation and across the federal government. It will focus on leveraging funds from federal, state and local governments, as well as the private sector, to address the capital needs of the Maritime Transportation System. We will also carefully examine the tax burdens on our maritime sector with the goal of improving our fleets’ and crews’ ability to compete internationally.

One example of an intermodal approach to freight movement is “short sea shipping.” Through short sea shipping we can make better use of our coastal and inland waterways and provide some relief to our nation’s congested highways. That is why we are actively promoting industry efforts to establish short sea shipping operations and looking carefully at current federal policies that may inhibit such operations. Only by using all available options to move freight along our most congested corridors can we ensure that we have the capacity we need to address future demand.

Conclusion

Let me close by reminding everyone that, in today's competitive global marketplace, congestion delays impact everyone's bottom-line. Successful businesses depend on their ability to distribute products into domestic and international markets rapidly and efficiently. The same can be said for our Nation as a whole. America's place in the global economy will be determined as much by the efficiency of our transportation system as by any other factor I can think of.

Thank you for allowing me to share these thoughts with you today. I look forward to continuing our work with AAPA on these important issues.

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